

TOWN OF NEW LLANO

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-05

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTAL INFORMATION (PART I)	
Management Discussion & Analysis	3-7
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	8
Statement of Activities	9
FUND FINANCIAL STATEMENTS	
Governmental Funds	
Balance Sheet	10
Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Proprietary Funds	
Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Net Assets	14
Statement of Cash Flows	15
Notes to Financial Statements	16-27
REQUIRED SUPPLEMENTAL INFORMATION (PART II)	
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances (Budget and Actual)	28-29
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	
	30-31
Schedule of Findings and Questioned Costs	32
Management's Corrective Action Plan	33
Schedule of Prior Year Findings and Questioned Cost	34

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, C.P.A.
M. DALE HARRINGTON, C.P.A.
MARK S. MCKAY, C.P.A.
LEE W. WILLIS, C.P.A.

STEVEN E. KIMBALL, C.P.A.

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 15, 2004

Independent Auditors' Report

The Honorable Mayor
and Members of the Board of Aldermen
Town of New Llano, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of New Llano, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of New Llano's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of New Llano, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

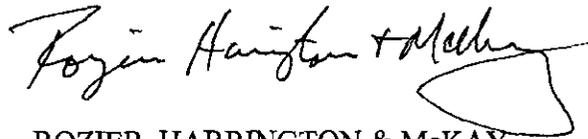
Town of New Llano

November 15, 2004

Page 2

applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2004, on our consideration of the Town of New Llano's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

This section of the Town of New Llano's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2004. Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will provide additional explanations of the Town's financial position and results of operations.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2004) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Fund** -- These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's water and sewer services. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	June 30, 2004		
	Governmental Activities	Business- Type Activities	Total
<u>Assets:</u>			
Current and Other Assets	\$ 179,106	\$ 321,803	\$ 500,909
Capital Assets	462,241	3,225,377	3,687,618
Total Assets	<u>641,347</u>	<u>3,547,180</u>	<u>4,188,527</u>
<u>Liabilities:</u>			
Current and Other Liabilities	17,226	144,800	162,026
Long-term Liabilities	---	642,000	642,000
Total Liabilities	<u>17,226</u>	<u>786,800</u>	<u>804,026</u>
<u>Net Assets:</u>			
Invested in Capital Assets (Net)	462,241	2,529,129	2,991,370
Restricted	---	135,661	135,661
Unrestricted	161,880	95,590	257,470
Total Net Assets	<u>\$ 624,121</u>	<u>\$ 2,760,380</u>	<u>\$ 3,384,501</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (88.5%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remains outstanding. In addition, net assets invested in capital assets also includes any infrastructure acquired after July 1, 2004. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

An additional portion of the net assets (4.0%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders. The remaining unrestricted net assets (7.5%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>For the Year Ended June 30, 2004</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Revenues:</u>			
Program Revenue:			
Charges for Services	\$ 366,550	\$ 490,663	\$ 857,213
Operating Grants and Contributions	12,700	---	12,700
Capital Grants and Contributions	---	92,075	92,075
General Revenue:			
Sales Taxes	107,417	---	107,417
Property Taxes	20,367	---	20,367
Franchise Taxes	75,587	---	75,587
Occupational Licenses	38,281	---	38,281
Miscellaneous	25,792	832	26,624
Total Revenue	<u>646,694</u>	<u>583,570</u>	<u>1,230,264</u>
<u>Program Expenses:</u>			
General Government	159,970	---	159,970
Public Safety	418,223	---	418,223
Streets & Drainage	43,757	---	43,757
Water	---	214,886	214,886
Sewer	---	214,004	214,004
Total Expenses	<u>621,950</u>	<u>428,890</u>	<u>1,050,840</u>
Increase in Net Assets Before Transfers	24,744	154,680	179,424
Transfers	49,096	(49,096)	---
Change in Net Assets	<u>73,840</u>	<u>105,584</u>	<u>179,424</u>
Net Assets Beginning	<u>550,281</u>	<u>2,654,796</u>	<u>3,205,077</u>
Net Assets Ending	<u>\$ 624,121</u>	<u>\$ 2,760,380</u>	<u>\$ 3,384,501</u>

Governmental activities increased the Town's net assets by \$73,840. In addition to income from fines and court cost, intergovernmental assistance in the form of grant funds contributed to the increase in net assets.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

Business-type activities increased the Town's net assets by \$105,584. In addition to income from water and sewer service fees, intergovernmental assistance in the form of grant funds contributed to the increase in net assets. Assistance received included a grant in the amount of \$92,075 that was used to improve the sewage system.

Financial Analysis of the Town's Funds

For the year ended June 30, 2004, activity in governmental funds included the general fund and a capital projects fund. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets and eliminating the capital projects fund in the government-wide presentation.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget. The budget is amended as necessary and a summary of the general fund budget compared to actual amounts is presented as follows:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 552,000	\$ 573,200	\$ 646,694	\$ 73,494
Total Expenditures	553,651	666,000	619,037	46,963
Excess (deficiency) of revenues over expenditures	(1,651)	(92,800)	27,657	120,457
Operating Transfers In	2,000	8,500	49,096	40,596
Net Change in Fund Balances	<u>\$ 349</u>	<u>\$ (84,300)</u>	<u>\$ 76,753</u>	<u>\$ 161,053</u>

The budgeted expenditures, between the original and final budget, experienced an increase in public safety area in order to appropriate funds for police salaries and capital outlays.

Capital Asset Administration

Capital asset activity for the year ended June 30, 2004, is summarized as follows:

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Additions:</u>			
Equipment	\$ 24,301	\$ 9,995	\$ 34,296
Improvements to Utility System	---	116,837	116,837
Total Additions	24,301	126,832	151,133
Depreciation	(27,214)	(80,672)	(107,886)
Net Increase (Decrease)	(2,913)	46,160	43,247
Beginning Capital Asset (Net)	465,154	3,179,217	3,644,371
Ending Capital Assets (Net)	<u>\$ 462,241</u>	<u>\$ 3,225,377</u>	<u>\$ 3,687,618</u>

Highlights of the Town's capital asset administration are provided as follows:

- Equipment purchases were primarily related to purchasing new vehicles for the police department. In addition the Town acquired a new tractor for the water department.
- Improvements to the Town's utility system were necessary to replace old sewer system components.

Debt Administration

For the year ended June 30, 2004, the Town did not incur any additional debt. Furthermore, existing debt is limited to revenue bonds, certificate of indebtedness, and a capital lease. Further information regarding existing debt is provided as follows:

- Revenue bonds were issued in connection with the construction of the sewer treatment facility. At year end revenue bonds payable totaled \$622,000. Principal payments totaled \$39,000, which represents 6.3% of the outstanding balance.
- Certificate of indebtedness was issued to help pay for sewer system improvements. At year end the certificate of indebtedness payable totaled \$67,000. Principal payments totaled \$7,000, which represents 10.4% of the outstanding balance.
- A capital lease was used to acquire a backhoe for the water department. At year end there was no outstanding balance on this lease.

Factors Expected to Effect Future Operations

Grant funds provided by the State of Louisiana have been awarded for the purpose of building a new Town Hall to better serve citizens.

TOWN OF NEW LLANO

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 154,257	\$ 101,792	\$ 256,049
Restricted cash and cash equivalents	-	161,253	161,253
Receivables (net)	16,907	56,249	73,156
Prepaid expenses	7,942	2,509	10,451
Land	107,155	28,835	135,990
Depreciable capital assets, net	<u>355,086</u>	<u>3,196,542</u>	<u>3,551,628</u>
Total assets	<u>641,347</u>	<u>3,547,180</u>	<u>4,188,527</u>
<u>LIABILITIES</u>			
Accounts payable	17,226	31,926	49,152
Accrued interest payable from restricted assets	-	7,248	7,248
Deposits due others	-	58,626	58,626
Long-term debt			
Due within one year	-	47,000	47,000
Due in more than one year	<u>-</u>	<u>642,000</u>	<u>642,000</u>
Total liabilities	<u>17,226</u>	<u>786,800</u>	<u>804,026</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	462,241	2,529,129	2,991,370
Restricted for debt service	-	135,661	135,661
Unrestricted	<u>161,880</u>	<u>95,590</u>	<u>257,470</u>
Total net assets (deficit)	<u>\$ 624,121</u>	<u>\$ 2,760,380</u>	<u>\$ 3,384,501</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

STATEMENT OF ACTIVITIES **Year Ended June 30, 2004**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 159,970	\$ -	\$ 5,000	\$ -	\$ (154,970)	\$ -	\$ (154,970)
Public Safety	418,223	366,550	7,700	-	(43,973)	-	(43,973)
Streets & Drainage	43,757	-	-	-	(43,757)	-	(43,757)
Total Governmental Activities	621,950	366,550	12,700	-	(242,700)	-	(242,700)
<u>Business-Type Activities:</u>							
Water	214,886	318,433	-	-	-	103,547	103,547
Sewer	214,004	172,230	-	92,075	-	50,301	50,301
Total Business-Type Activities	428,890	490,663	-	92,075	-	153,848	153,848
Total Primary Government	\$ 1,050,840	\$ 857,213	\$ 12,700	\$ 92,075	\$ (242,700)	\$ 153,848	\$ (88,852)

General Revenues:

Taxes:		
Sales	107,417	107,417
Ad Valorem	20,367	20,367
Licenses & Permits:		
Franchise Fees	75,587	75,587
Occupational Licenses	38,281	38,281
Other	25,792	26,624
Transfers	49,096	(49,096)
Total General Revenues	316,540	268,276
Change in Net Assets	73,840	179,424
Net Assets Beginning	550,281	3,205,077
Net Assets Ending	\$ 624,121	\$ 3,384,501

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2004

	General	LCDBG Sewer Improvements	Total Governmental Funds
Assets			
Cash & cash equivalents	\$ 154,257	\$ -	\$ 154,257
Receivables (net)	16,907	-	16,907
Prepaid expenses	7,942	-	7,942
Total assets	\$ 179,106	\$ -	\$ 179,106
Liabilities and Fund Balance			
Liabilities			
Accounts and other payables	\$ 17,226	-	\$ 17,226
Total liabilities	17,226	-	17,226
Fund Balance			
Unreserved	161,880	-	161,880
Total Fund Balances	161,880	-	161,880
Total Liabilities and Fund Balance	\$ 179,106	\$ -	\$ 179,106

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

Total Fund Balances - Governmental Funds	\$ 161,880
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	462,241
Net Assets of Governmental Activities	\$ 624,121

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Revenue, Expenditures, and Changes in Fund Balance

Governmental Funds

Year Ended June 30, 2004

	General	LCDBG Sewer Improvements	Total Governmental Funds
Revenues:			
Taxes			
Ad Valorem	\$ 20,367	\$ -	\$ 20,367
Sales	107,417	-	107,417
License and permits			
Occupational Licenses	38,281	-	38,281
Franchise	75,587	-	75,587
Other	10,018	-	10,018
Intergovernmental	15,241	92,075	107,316
Fines and fees	366,550	-	366,550
Miscellaneous	13,233	-	13,233
Total revenues	646,694	92,075	738,769
Expenditures:			
Current			
General Government	154,180	-	154,180
Public Safety	404,455	-	404,455
Streets & Drainage	36,101	-	36,101
Capital Outlay	24,301	92,075	116,376
Total expenditures	619,037	92,075	711,112
Excess (deficiency) of revenues over expenditures	27,657	-	27,657
Other sources (uses)			
Operating transfers in (out)	49,096	-	49,096
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	76,753	-	76,753
Fund balance - beginning of year	85,127	-	85,127
Fund balance - end of year	\$ 161,880	\$ -	\$ 161,880

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances of Governmental Funds	\$ 76,753
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(2,913)
Change in net assets of governmental activities	<u>\$ 73,840</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Net Assets

Proprietary Funds

June 30, 2004

	<u>Business-Type Activities</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 101,792	-	101,792
Receivables (net)	34,704	21,545	56,249
Prepaid expenses	1,255	1,254	2,509
Due to other funds	-	77,007	77,007
Total current assets	137,751	99,806	237,557
Restricted Assets:			
Cash and cash equivalents	-	161,253	161,253
Noncurrent Assets:			
Land	-	28,835	28,835
Depreciable capital assets, net	731,028	2,465,514	3,196,542
Total assets	868,779	2,755,408	3,624,187
LIABILITIES:			
Current Liabilities:			
Accounts & other payables	24,990	6,936	31,926
Deposits due others	58,626	-	58,626
Due from other funds	77,007	-	77,007
Total current liabilities	160,623	6,936	167,559
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	7,248	7,248
Current portion of long-term debt	-	47,000	47,000
Noncurrent Liabilities:			
Long-term debt	-	642,000	642,000
Total liabilities	160,623	703,184	863,807
NET ASSETS:			
Invested in capital assets, net of related debt	731,028	1,798,101	2,529,129
Restricted for debt service	-	135,661	135,661
Unrestricted	(22,872)	118,462	95,590
Total net assets (deficit)	\$ 708,156	\$ 2,052,224	\$ 2,760,380

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds Year Ended June 30, 2004

	Business-Type Activities		
	Water System	Sewer System	Total
<u>Operating Revenues:</u>			
Charges for services	\$ 275,995	\$ -	\$ 275,995
Charges for services pledged as security for revenue bonds	-	172,230	\$ 172,230
Other	42,438	-	42,438
Total operating revenues	318,433	172,230	490,663
<u>Operating Expenses:</u>			
Water purchases	94,725	450	95,175
Salaries and wages	45,590	44,262	89,852
Materials, supplies, and maintenance	8,244	21,244	29,488
Office operations	11,175	11,175	22,350
Payroll taxes and expenses	8,100	6,009	14,109
Vehicle and travel	4,107	4,107	8,214
Insurance	12,008	8,567	20,575
Professional fees	-	4,535	4,535
Miscellaneous	4,427	5,513	9,940
Utilities and telephone	3,067	23,832	26,899
Depreciation	22,329	58,343	80,672
Uniform and equipment rental	1,114	1,114	2,228
Total operating expenses	214,886	189,151	404,037
Operating Income (Loss)	103,547	(16,921)	86,626
<u>Nonoperating Revenues (Expenses):</u>			
Interest income	-	832	832
Interest expense	-	(24,853)	(24,853)
Change in Net Assets Before Contributions & Transfers	103,547	(40,942)	62,605
<u>Contributions and Transfers:</u>			
Capital Grant Revenue	-	92,075	92,075
Transfers in (out)	(128,922)	79,826	(49,096)
Change in Net Assets	(25,375)	130,959	105,584
Total Net Assets - Beginning	733,531	1,921,265	2,654,796
Total Net Assets - Ending	\$ 708,156	\$ 2,052,224	\$ 2,760,380

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 322,427	\$ 173,718	\$ 496,145
Cash payments to suppliers of goods and services	(154,494)	(82,879)	(237,373)
Cash payments to employees for services	(45,403)	(42,246)	(87,649)
Net cash provided (used) by operating activities	122,530	48,593	171,123
<u>Cash flows from non-capital financing activities:</u>			
Operating transfers in (out)	(128,922)	79,826	(49,096)
Cash advances due to other funds	77,007	(77,007)	-
Net cash provided (used) by non-capital financing activities	(51,915)	2,819	(49,096)
<u>Cash flows from capital and related financing activities:</u>			
Principle paid on capital debt	(2,218)	(46,000)	(48,218)
Interest paid on capital debt	-	(24,853)	(24,853)
Capital grant proceeds	-	92,075	92,075
Capital Expenditures	(9,995)	(92,075)	(102,070)
Net cash provided (used) by capital and related financing activities	(12,213)	(70,853)	(83,066)
<u>Cash flows from investing activities:</u>			
Interest and other income	-	832	832
Net cash provided (used) by investing activities	-	832	832
Net increase (decrease) in cash	58,402	(18,609)	39,793
Beginning cash balance	43,390	179,862	223,252
Ending cash balance	101,792	161,253	263,045
Restricted cash	-	161,253	161,253
Cash and cash equivalents	\$ 101,792	\$ -	\$ 101,792
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating income (loss)	\$ 103,547	\$ (16,921)	\$ 86,626
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,329	58,343	80,672
(Increase) decrease in accounts receivable	4,325	1,488	5,813
(Increase) decrease in prepaid expenses	1,052	(1,254)	(202)
(Decrease) increase in operating accounts payable	(8,392)	6,937	(1,455)
(Decrease) increase in customer deposits	(331)	-	(331)
Net cash provided (used) by operating activities	122,530	48,593	171,123
	\$ 122,530	\$ 48,593	\$ 171,123

Supplemental Disclosure of Cash Flow Information:

During the year ended June 30, 2004, there were no investing, capital, or financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police protection), streets and drainage, public improvements, utilities (water and sewerage), and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of New Llano, Louisiana, is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 2004.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function, and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds
 - General Fund – The general fund is the primary operating fund and is used to account for all governmental activities.
 - Capital Projects Fund – The capital projects fund was used to account for funds received from a Louisiana Community Development Block Demonstrated Needs Grant for the purpose of improving the Town's sewer system.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2004***

- Proprietary Funds – Are used to account for business type activities. The operations of the Town’s Water System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating.

Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described below:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims, and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines, and court cost is not recognized until it is collected.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2004, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Capital assets, which include property, equipment, and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Cash and Cash Equivalents and Investments

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

Internal Balances

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

Compensated Absences

The Town does not accumulate any paid vacation, sick pay, or other employee benefit amounts because employees are not allowed to carry over significant amounts.

New Financial Reporting Model:

As required by GASB Statement 34, for the year ended June 30, 2004, the Town has implemented a new financial reporting model. The new financial reporting model has resulted in numerous changes to accounting methods and financial statement presentation. Due to the nature and volume of the changes, the financial statements for the year ended June 30, 2003 cannot be readily compared to reports issued for previous years.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2004, cash and cash equivalents totaled \$417,302 (Book Balance) and \$447,388 (Bank Balance). The composition of these accounts is as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and Cash Equivalents	\$ 256,049	\$ 286,135
Restricted Cash and Cash Equivalents	161,253	161,253
Total	<u>\$ 417,302</u>	<u>\$ 447,388</u>

Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, all deposits with financial institutions were covered by federal deposit insurance in the amount of \$300,000 and pledged securities (GASB Category 3) with a market value of \$280,015.

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2004**

Even though the pledged securities are considered Uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

NOTE 3 - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2004, taxes of 4.0 mills totaling \$20,367 were levied and collected on property and were dedicated to general corporate purposes. There were no material amounts of tax receivable at June 30, 2004.

NOTE 4 - RECEIVABLES

The receivables at June 30, 2004, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Accounts Receivable</u>			
Utility Customers	\$ ----	\$ 59,523	\$ 59,523
Franchise Fees	4,718	----	4,718
Total Accounts Receivables	<u>4,718</u>	<u>59,523</u>	<u>64,241</u>
<u>Due From Other Governmental Units</u>			
Sales Taxes	11,302	----	11,302
Other	887	----	887
Total due From Other Governments	<u>12,189</u>	<u>----</u>	<u>12,189</u>
Total Receivables	16,907	59,523	76,430
Allowance for Doubtful Accounts	----	(3,274)	(3,274)
Receivables, net of allowance	<u>\$ 16,907</u>	<u>\$ 56,249</u>	<u>\$ 73,156</u>

NOTE 5 - CAPITAL ASSETS

A summary of the property and equipment at June 30, 2004, consists of the following:

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Buildings and Land	\$ 107,155	\$ ----	\$ ----	\$ 107,155
<u>Capital Assets Being Depreciated:</u>				
Improvements	634,338	----	----	634,338
Equipment	461,794	24,301	----	486,095
Total	1,096,132	24,301	----	1,120,433
Less Accumulated Depreciation	738,133	27,214	----	765,347
Total Net of Depreciation	<u>\$ 357,999</u>	<u>\$ (2,913)</u>	<u>\$ ----</u>	<u>\$ 355,086</u>
<u>Business-Type Activities</u>				
Land	\$ 28,835	\$ ----	\$ ----	\$ 28,835
<u>Capital Assets Being Depreciated:</u>				
Water Distribution System	805,472	----	----	805,472
Wastewater System	2,761,365	116,837	----	2,878,202
Equipment	63,272	9,995	----	73,267
Total	3,630,109	126,832	----	3,756,941
Less Accumulated Depreciation	479,727	80,672	----	560,399
Total Net of Depreciation	<u>\$3,150,382</u>	<u>\$ 46,160</u>	<u>\$ ----</u>	<u>\$3,196,542</u>

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 5,790
Law Enforcement	13,768
Streets & Drainage	7,656
Total Depreciation – Governmental Activities	<u>\$ 27,214</u>

Business-Type Activities:

Water	\$ 22,329
Sewer	58,343
Total Depreciation – Business-Type Activities	<u>\$ 80,672</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of payables at June 30, 2004:

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

	<u>Payable to Vendors</u>	<u>Accrued Wages</u>	<u>Other Payables</u>	<u>Total Payables</u>
<u>Governmental Activities:</u>				
General Fund	\$ 4,977	\$ 12,249	\$ ----	\$ 17,226
<u>Business-Type Activities:</u>				
Water System	\$ 20,224	\$ 1,806	\$ 2,960	\$ 24,990
Wastewater System	4,920	2,016	----	6,936
Total Business-Type	<u>\$ 25,144</u>	<u>\$ 3,822</u>	<u>\$ 2,960</u>	<u>\$ 31,926</u>

NOTE 7 – LONG TERM DEBT

Debt attributable to the Town's business-type activities is summarized as follows:

	<u>Business-Type Activities</u>
Sewer Revenue bonds	\$ 622,000
Certificates of Indebtedness	67,000
Total Long-term Debt	689,000
Due Within One Year	(47,000)
Due in More Than One Year	<u>\$ 642,000</u>

Changes in the Town's long-term debt activity for the year ended June 30, 2004, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Sewer Revenue bonds	\$ 661,000	\$ ----	\$ 39,000	\$ 622,000
Capital leases	2,218	----	2,218	----
Certificates of Indebtedness	74,000	----	7,000	67,000
Total Long-term Debt	<u>737,218</u>	<u>----</u>	<u>48,218</u>	<u>689,000</u>

Sewer Revenue Bonds

The Sewer Revenue Bonds constitute special obligations of the Town secured by a lien on and pledge of the net revenues of the utility system.

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2004**

Sewer Revenue Bonds, dated August 30, 1996, due in annual installments ranging from \$33,920 to \$57,000, maturing March 1, 2017, bearing interest at a rate of 2.45%. Revenue generated by the Town's water and sewer system has been pledged to secure these bonds.

\$ 622,000

Total Revenue Bonds

\$ 622,000

Certificates of Indebtedness

The Town has issued certificates which are secured by and payable from a pledge of excess of annual revenues above statutory, necessary and usual charges incurred by the Town. Certificates of indebtedness outstanding at June 30, 2004, are described below.

\$80,000 Certificates of Indebtedness, Series 2002, bearing interest at a rate of 5%. Principle is payable in annual installments ranging from \$6,000 to \$10,000, with the final installment due January 1, 2012.

\$ 67,000

Total

\$ 67,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to June 30, 2004, are as follows:

<u>Year Ended June 30</u>	<u>Principal Installments</u>			<u>Interest</u>
	<u>Revenue Bonds</u>	<u>Certificates of Indebtedness</u>	<u>Total</u>	
2005	\$ 40,000	\$ 7,000	\$ 47,000	\$ 16,914
2006	41,000	7,000	48,000	17,259
2007	42,000	8,000	50,000	15,905
2008	44,000	8,000	52,000	14,476
2009	45,000	9,000	54,000	15,273
2010 – 2014	245,000	28,000	273,000	49,283
2015 – 2017	165,000	----	165,000	9,853
Total	<u>\$ 622,000</u>	<u>\$ 67,000</u>	<u>\$ 689,000</u>	<u>\$ 138,963</u>

The total interest charged to expense for the current year is \$24,853.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

NOTE 8 - WATER CONTRACT

The Town has a contract with the City of Leesville for the purchase of water. The contract has a primary term of four (4) years commencing April 1, 2002. There are no minimum payments required under the contract except for amounts of actual delivery, with the rates set at one dollar and five cents (\$1.05) per one thousand (1,000) gallons for the entire contract period.

NOTE 9 - RISK MANAGEMENT

The Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 - COMPENSATION OF ELECTED OFFICIALS

For the year ended June 30, 2004, the amounts of salaries and wages paid to the Mayor and Board of Aldermen were as follows:

<u>Name</u>	<u>Position</u>	<u>Salary</u>
Freddie Boswell	Mayor	\$ 17,350
Carolyn Todd	Alderman	2,700
Danny Hunt	Alderman	2,700
Ervin Wilson	Alderman	2,700
Charles Balthrop	Alderman	2,700
Charlotte Cooper	Alderman	2,700
Totals		<u>\$ 30,850</u>

NOTE 11- PENSION PLAN

Substantially all employees of the Town of New Llano, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

NOTE 12- RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition the corresponding amounts of net assets are also presented as restricted net assets.

NOTE 13 – TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds for various reasons. A description of the transfers and purpose for the transfers is presented below:

	Governmental Activities	Water Fund	Business-Type Sewer Fund	Total Business-Type
<u>Transfers In:</u>				
Transfer of resources to cover payroll liabilities and other expenses.	\$ 59,091	\$ ----	\$ 79,826	\$ 79,826

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2004

	Governmental Activities	Business-Type		
		Water Fund	Sewer Fund	Total Business-Type
Transfer of resources to help purchase new equipment.	----	9,995	----	9,995
Total Transfers In	\$ 59,091	\$ 9,995	\$ 79,826	\$ 89,821
<u>Transfers Out:</u>				
Transfer of resources to cover payroll liabilities and other expenses.	\$ ----	\$ (138,917)	\$ ----	\$ (138,917)
Transfer of resources to help purchase new equipment.	(9,995)	----	----	----
Total Transfers Out	\$ (9,995)	\$ (138,917)	\$ ----	\$ (138,917)
Total Net Transfers In (Out)	\$ 49,096	\$ (128,922)	\$ 79,826	\$ (49,096)

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Ad Valorem	\$ 20,000	\$ 23,000	\$ 20,367	\$ (2,633)
Sales	87,000	86,000	107,417	21,417
License and permits				
Occupational Licenses	20,000	30,000	38,281	8,281
Franchise	55,000	60,000	75,587	15,587
Other	-	-	10,018	10,018
Intergovernmental	9,000	4,200	15,241	11,041
Fines and fees	340,000	350,000	366,550	16,550
Miscellaneous	21,000	20,000	13,233	(6,767)
Total revenues	552,000	573,200	646,694	73,494
General Government:				
Salary - mayor and aldermen	22,700	27,000	30,850	(3,850)
Salaries - other	48,400	52,000	44,399	7,601
Office operations	9,000	8,500	8,998	(498)
Payroll taxes and expenses	9,000	12,500	9,116	3,384
Insurance	18,000	18,000	18,972	(972)
Professional fees	23,500	22,000	20,407	1,593
Miscellaneous	24,000	24,500	16,047	8,453
Utilities and telephone	9,500	6,500	5,391	1,109
Total general government	164,100	171,000	154,180	16,820
Public Safety:				
Salaries	194,351	195,000	200,904	(5,904)
Payroll taxes and expenses	25,000	35,000	28,349	6,651
Mayors court	-	18,500	19,285	(785)
Office operations	15,000	25,000	22,389	2,611
Vehicle operations	20,000	25,000	30,399	(5,399)
Insurance	40,000	42,000	55,654	(13,654)
Prisoner expense	20,000	23,000	19,202	3,798
Miscellaneous	18,100	36,500	28,273	8,227
Total public safety	332,451	400,000	404,455	(4,455)

Continued...

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Year Ended June 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>Streets & Drainage:</u>				
Salaries	23,000	24,000	10,119	13,881
Payroll taxes and expenses	3,100	5,000	904	4,096
Utilities	20,000	20,000	20,350	(350)
Miscellaneous	6,000	11,000	4,728	6,272
Total streets & drainage	52,100	60,000	36,101	23,899
Capital Outlay	5,000	35,000	24,301	10,699
Total expenditures	553,651	666,000	619,037	46,963
Excess (deficiency) of revenues over expenditures	(1,651)	(92,800)	27,657	120,457
Other sources (uses)				
Operating transfers in (out)	2,000	8,500	49,096	40,596
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	349	(84,300)	76,753	161,053
Fund balance - beginning of year	8,816	85,127	85,127	-
Fund balance - end of year	9,165	827	161,880	161,053

ROZIER, HARRINGTON & McKAY
CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE
ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, C.P.A.
M. DALE HARRINGTON, C.P.A.
MARK S. MCKAY, C.P.A.
LEE W. WILLIS, C.P.A.
STEVEN E. KIMBALL, C.P.A.

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

November 15, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor
and Members of the Board of Aldermen
New Llano, Louisiana

We have audited the general purpose financial statements of the Town of New Llano, Louisiana as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of New Llano, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of New Llano, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Honorable Mayor
and the Board of Aldermen
November 15, 2004
Page 2

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of New Llano, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the financial statements for the Town of New Llano as of June 30, 2004, and for the year then ended expressed an unqualified opinion.
- No reportable conditions were noted in the audit.
- The results of the audit disclosed no instance of noncompliance that is considered to be material to the financial statements of the Town of New Llano.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- None

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None

**Town of New Llano, Louisiana
Management's Corrective Action Plan
For the Year Ended June 30, 2004**

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
N/A – There were no findings in this area.	Response - N/A
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – There were no findings in this area.	Response - N/A
SECTION III – MANAGEMENT LETTER	
N/A – There were no findings in this area.	Response - N/A

Town of New Llano, Louisiana
Schedule of Prior Year Findings
For the Year Ended June 30, 2004

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding - N/A - There were no findings in this area.	Response - N/A
SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
Finding - N/A - There were no findings in this area.	Response - N/A
SECTION III - MANAGEMENT LETTER	
Finding - N/A - There was no management letter issued with this report.	Response - N/A